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Testimony of the American Council of Life Insurers
Before the Insurance and Real Estate Committee
Thursday, February 16, 2012

House Bill 5009 - An Act Concerning the Rate Approval Process for Health Insurance Policies

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to House Bill 5009 - An Act Concerning the Rate Approval Process for Health Insurance Policies. The requirements of House Bill 5009 are particularly problematic for insurance companies offering long-term care insurance products to Connecticut consumers. ACLI member companies provide the majority of long-term care insurance coverage in force in Connecticut.

Rate Filings, Prior Approval and Public Notice

ACLI member companies are sensitive to the impact that rate increase filing requests have on consumers, however, we do not agree that the process as outlined by House Bill 5009 will benefit long-term care policyholders. In the end, this legislation may simply result in fewer of these products being sold in the state. This outcome would be bad for both consumers and businesses.

We would like to take this opportunity to specifically address some of the rate filing provisions required by House Bill 5009 which are problematic to long-term care products. First, the legislation requires that rates be filed at least 120 days prior to their proposed effective date. This 120 day prior filing requirement will add to the time delay between quote date and effective date, which means that a significant lag could exist in implementing new rates. For insurers that file lower rates, the lag would seem to mean that Connecticut consumers would continue to be sold higher rate products. This appears to be costly and confusing and seems to serve little if any purpose.

In addition, rate filings provide actuarial documentation supporting the need for the increase and comply with statutory requirements for such filings. Depending on the insurance product design, some of the information that has to be considered includes claims experience, voluntary lapse rates, mortality rates, investment earnings both on an anticipated and actual basis and credibility of experience. The Connecticut Insurance Department staff that is assigned to review rate filings have the necessary actuarial expertise to handle the analysis of whether a rate increase is justified.

Some of the components of rate filings include competitive data, such as level of reserves, which may be considered trade secrets. These provisions should be subject to confidentiality which the legislation does not address. The proposed process would open these components to third parties including other insurance companies, thereby threatening the confidentiality that is required for competitive and anti-trust reasons.

Conclusion

As stated in previous testimony, we believe that the Insurance Department has done its job in balancing the needs of the companies and consumers, and that each rate increase filing request is handled with due diligence. We do not see the need to radically change the process. If the Insurance Department believes that it needs additional resources, we would support the outsourcing of certain product filings to actuarial consultants with the cost charged to the companies.

Thank you for considering our position in opposition to House Bill 5009 regarding the rate approval process for health insurance policies. Please contact John Larkin at 860-430-5928 or Kate Kiernan at 202-624-2463 with questions.

ACLI is a national trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 237 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.